

RURAL DEVELOPMENT: MEETING THE CHALLENGES
OF THE 21ST CENTURY
Robert Thompson

Introduction

Rural poverty is a key component of world poverty and, notwithstanding the many measurement issues, is probably not declining. New elements of rural poverty are emerging (HIV/AIDS, etc.). Global food demand is growing faster than investment in knowledge to support corresponding growth in supply. Out-migration from rural areas and urbanization are accelerating. Globalization is creating a new trade and policy environment. Deterioration of the natural resource base is continuing.

Most of the world's poverty is in rural areas, yet there is an urban bias in most countries' development strategies, and in their allocation of public investment funds. Rural people, women, and minorities in particular, have little political clout to influence public policy to direct more of the public investments to rural areas. We must work on the entire rural economy, if we are to be successful in our goal of poverty reduction.

The Bank's Poverty Reduction Strategy

In 1997 the Bank developed a comprehensive rural development strategy called "From Vision to Action," which articulated poverty reduction in rural areas, improvement in well-being of rural people, and the elimination of hunger as the main strategy objectives in the Bank's rural development activities.

Since then, significant global and country-based changes have taken place. Along with the growing rural challenge, major changes that are influencing the way we will carry out our goal of poverty reduction include:

- Rapidly emerging globalization and its impact on rural issues will require us to blend the country focus with a more global outlook at the same time that regional diversity in rural situations, and country-specific and local solutions should also receive more attention in our strategy.

- We now recognize the importance of rural communities and rural livelihoods. We must widen the scope of rural development and aim to reduce poverty wherever it is found in rural areas, working in close collaboration with our colleagues in other sectors (e.g., infrastructure, social services, finance) to ensure consistency with their approaches as we encourage their expansion of work into rural areas.
- Finally, the overall Bank lending program has declined, but the decline in the rural sector has been greater than this overall decline, leading to increased competition for rural-related lending activities inside the Bank.

Addressing old issues in new ways, one of the main foci of the original Vision to Action strategy, is being well-represented by our taking into account the above considerations.

The Bank's New Holistic Plan for Rural Poverty Reduction

Given these developments, we are revitalizing Bank rural development activities as a fully cross-sectoral and “people-centered” program based on three key objectives: poverty reduction, widely shared growth, and sustainable natural resource management. Well-elaborated regional programs that contain regional strategies and action plans will be the major components of this strategy.

Also very important to the Bank's new thinking is its acknowledgement of what experience tells us: that to be successful, the stakeholders must be involved in a decentralized and participatory decision-making process from planning through implementation.

The Bank's new strategy will focus on actions and concrete implementable objectives, and the entire World Bank will be involved. Once we are all engaged, our success in rural poverty reduction will depend upon our ability to achieve three on-the-ground results: increasing agricultural productivity; creating rural non-farm employment; and protecting natural resources and the environment.

I like to think of our challenge in poverty reduction as being like a stool with three legs. If any one leg is too short or missing, we will not be successful at achieving our goal. The three legs elaborated above comprise the Bank's new holistic approach that clearly reflects a movement away from a narrow sectoral approach.

The new approach for Bank involvement will include five general principles:

General Principles

1. Rural development that addresses poverty and the improved performance of the food and agriculture sectors.
2. Rural development based on multi-sectoral collaboration.
3. Rural development build on a collaborative, consultative process with civil society, the private sector, and international donors.
4. Rural development implemented in partnership with donors based on the comparative advantage of all participants.
5. Linkages to the Country Assistance Strategies, Poverty Reduction Strategic Plans and the Comprehensive Development Framework, all of which are developed in close partnership with client countries and key donors.

Support from Practitioners

In terms of what this group can do to help fulfill the Bank's goal, which just happens to also be a goal for all of us in this room, let me make the following suggestions:

- Adopt a holistic approach to your own work. Switch your thinking from energy as an output, to energy as an input into the Bank's sectoral programs. This can be a win-win situation for all of us.
- Continue to work with governments, and public and private sector partners to develop innovative financing for rural projects, which means finding a way to mitigate the high costs and risks, lack of collateral and lack of sector knowledge of lending institutions, for example, cooperatives, savings and credit associations, village associations, local credit unions, private sector businesses, etc.
- Continue to work on the development of rural infrastructure, including the development of energy sources as well as the upgrading and maintenance of sources of power for non-grid connected, rural areas.
- Continue to push for policies and institutions that consider externalities in the costs of all energy –related projects.
- Continue to develop projects that will replace wood and other fossil fuels as sources of farm and household power.

- Continue developing local capacity to install, use and maintain systems designed to meet their specific needs.
- Develop a rural focus for traditionally national-level social projects--education, health and other social service programs. A rural school anywhere in the world can be connected to the largest library in the world if it's connected to the internet; in Mexico hundreds of distance learning sites are powered by solar photovoltaic (PV) systems. Health clinics can operate at night, can refrigerate vaccines and can be connected to centralized sources of information on health if they have the electricity to support these uses. Farmers can use any of the above resources to gather information on new farming techniques and markets for their crops.

Many of our existing renewable sources of energy in rural areas are already being used for cross-sectoral purposes. A microhydro or PV or wind-powered water pumping system designed for livestock watering and crop irrigation can be used to dry or refrigerate crops and meat or fish which can further increase their value, all of which will result in increased on-farm income and reduced loss of forests, e.g., reduced destruction of wildlife habitat, biodiversity and carbon sinks.

This same power can also provide household water, and the women and children of the village who used to spend large parts of their days hauling water will have time free for school, micro-enterprise, or leisure activities. It is probable that someone in the village will have been provided with an off-farm sources of income owning or maintaining the generator and the balance of systems. Or perhaps an enterprising renewable energy entrepreneur will have added the village to its commercial business. The capacity of the village to engage in projects that improve their lives is increased. Everyone in the village has new reasons to practice careful watershed management.

One cost effective, reliable power source fuelled by locally available resources and backed by communal or private sector delivery and ownership can and often does serve a multiplicity of these needs. We tend not to monitor all of these benefits, though comprehensive results monitoring is one more activity that we must begin to engage in in order to be competitive for the shrinking rural dollar.

I thank you for this opportunity to speak today and look forward to continued collaboration in energy and rural development. It is through this partnership that we will transcend sectoral boundaries and bring needed services to our client countries in terms of poverty alleviation and improved quality of life.